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INTERNATIONAL NEWS

World trade rebounding slowly, outlook uncertain - U.N. report

The value of global trade is set to fall by 7% to 9% in 2020 from the previous year, despite signs of a fragile rebound led by China in the third quarter, a United Nations report said on Wednesday.

No region was spared by an estimated 19% year-on-year plunge in world trade in the second quarter, as the COVID-19 pandemic disrupted economies, the U.N. Conference on Trade and Development (UNCTAD) said.

Global trade recovered somewhat in the third quarter, when it was estimated at about 4.5% less than in the same period a year ago, the agency said in its latest update.

“Trade in home office equipment and medical supplies has increased in Q3, while it further weakened in the automotive and energy sectors,” UNCTAD said. Growth in the textiles sector was also strong.

Its preliminary forecast put year-on-year growth for Q4 2020 at 3% less, but the report said that uncertainties persisted due to how the pandemic would evolve.

If the pandemic resurges in coming months, that could lead to a deteriorating environment for policy-makers and sudden increase in trade restrictive policies, it said.

China’s exports rebounded strongly in the third quarter after falling in the early months of the pandemic, and have posted year-on-year growth rates of nearly 10%, UNCTAD said.

“Overall, the level of Chinese exports for the first nine months of 2020 was comparable to that of 2019 over the same period,” it said.

Chinese demand for imported products recovered following a decline in Q2 2020, contrary to other major economies, it said.

Earlier this month the World Trade Organization (WTO) upgraded its forecast for trade in goods due to improvements from June and predicted a drop of 9.2% for 2020.

But it saw a more muted rebound in 2021, with further lockdowns from a second wave of COVID-19 infections posing clear risks.

Source: reuters.com– Oct 21, 2020

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Here's What's Going on With Trade Recovery Worldwide

Pent-up demand from lockdowns earlier this year paved the way for trade to bounce back in the third quarter, but the recovery was not consistent around the world.

According to the Tradeshift Index of Global Trade Health for Q3, following a 14.8 percent downturn in trade activity in the second quarter, buyer and supplier transactions in the third quarter rose 15.2 percent over the previous period.

The report, which is based on B2B transactions that took place on the Tradeshift platform between July 1 to Sept. 30, found that July was the strongest month in the quarter. Compared to the second quarter, global transactions grew 23.5 percent in July, followed by smaller quarter-over-quarter gains of 8.7 percent and 13.1 percent in August and September, respectively.

Of the regions studied in the data, the Eurozone is faring the best, with a 25.7 percent increase across the quarter. "What's emerging in our data is a gap between regions that had a plan for the pandemic and acted quickly, versus those that didn't," said Mikkel Hippe Brun, co-founder and senior vice president at Tradeshift.

"The Eurozone acted quickly to stem the pandemic and imposed the harshest lockdown restrictions outside of China," he added. "That approach seems to be paying dividends now in terms of the bounce back in trade activity we're seeing."

Following the Eurozone is the United States with a 17.2 percent increase during the three-month period. Both Europe and the U.S. are close to reaching pre-pandemic levels of trade activity. Meanwhile, the United Kingdom was behind its European neighbors with a 6.1 percent growth in transaction volume during Q3.

China saw an earlier recovery than markets in the West, with trade up 31.8 percent in the second quarter. However, it hasn't been able to maintain the momentum. A significant 24.1 percent bump in July was followed by two months of low-single-digit performance compared to Q2 figures. While July was just 3.7 percent behind monthly averages for Q4 2019, August and September had more than a 20 percent deficit compared to the fourth quarter of last year.

Aside from regional differences in how firms are experiencing the recovery, the rebound is also uneven between suppliers and buyers. Throughout the third quarter, orders volumes rose 20.3 percent, but invoices were only up 14.1 percent. Because payment terms are typically a few months out, the orders placed during the third quarter won't turn into cash for vendors until later, leading to a liquidity crunch.

Per Hippe Brun, one of the obstacles to suppliers getting paid during the pandemic was the reliance on paper invoices, which make up half of all statements. Digitization could help suppliers received funds faster. Additionally, it can assist companies with supply-chain visibility and sustainability goals.

"Today's supply chains have evolved into highly tuned machines, but the relationship between buyers and their suppliers has barely changed in 40 years," noted Hippe Brun. "Heavily paper-based, it's almost impossible to get a full view of what's happening across these complex ecosystems."

When the data is broken down by sector, one bright spot is retail. After being hit hard in Q2, retail saw an average 63 percent transaction increase throughout Q3. While August saw less of a boost over the second quarter, July and September point to a rebound with at least a 70 percent increase over Q2.

Like retail, logistics companies have pivoted to e-commerce channels during brick-and-mortar closures and slowdowns. On average, the transportation sector's transactions grew 12.2 percent over the second quarter.

Adaptation is the key to survival, as retail braces for a potential return of stricter lockdowns. Removing the reliance on manual processes and embracing digitization can help companies prep for a possible second wave.

"Businesses have overcome some of the initial shock of the first wave," said Hippe Brun. "Many have found workarounds, which will enable them to function at some level of normalcy through a second wave. But the systemic problems which brought supply chains to their knees during lockdown haven't gone away."

Source: sourcingjournal.com– Oct 21, 2020

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Xinjiang Cotton Dropped by BCI

Rampant forced-labor allegations in China's Uyghur-heavy Xinjiang region spurred one cotton group to reconsider its activities with the apparel production powerhouse.

The Better Cotton Initiative (BCI) announced Wednesday plans to cease all field-level activities in the the Xinjiang Uyghur Autonomous Region (XUAR), including capacity building and data monitoring and reporting.

In March, BCI suspended licensing and assurance activities in the region, and as a result, there is no new licensed Better Cotton coming from the region. Until circumstances change, BCI said it will focus efforts in China in the eastern provinces of Hubei, Hebei, Shandong and Gansu, where it has existing programs.

BCI said it has, for the past eight years, trained Chinese farmers, including Uyghur and Han farmers in the XUAR, on practices that cover its seven core principles on more sustainable cotton production. These include minimizing the harmful impact of pesticides and crop protection practices, promoting water stewardship, caring for health of soil, using land responsibly, preserving cotton fiber quality and promoting decent work.

"We look forward to the day when we can again deliver the BCI mission by providing capacity building for all farmers," BCI CEO Alan McClay said. "We will re-evaluate our engagement in the XUAR when the operating environment permits."

Among a variety of factors that contribute to a challenging operating environment were the recent sanctions order issued by the U.S. Treasury Office of Foreign Assets (OFAC) banning transactions with the Xinjiang Production and Construction Corps (XPCC) and its majority-owned subsidiaries. In the past, XPCC had been a BCI member and implementing partner, however, this relationship was terminated in January, prior to the U.S. sanctions.

BCI said it has taken additional actions and due diligence to comply with the OFAC sanctions. While the latest decision from the BCI Council means that field-level activities of all types have ceased immediately, Chinese companies from or affiliated with the province that are not blocked by current OFAC sanctions can remain BCI members and users of the Better Cotton Platform.

Source: sourcingjournal.com– Oct 21, 2020

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Focus on textile and garment exports to drive Chinas future growth

China's goods trade stats from January to September 2020 reveal textile and clothing exports in the first three quarters achieved faster growth than national trade in goods. From January to September 2020, China's textile and clothing exports increased by 12.2 per cent to 1,515.67 billion yuan, as per General Administration of Customs. This included textile exports worth 828.78 billion yuan and clothing exports worth 686.89 billion yuan.

Cumulative T&C exports rise 9.3 per cent

From January to September 2020, China's cumulative exports of textile and clothing increased 9.3 per cent to $215.78 billion. Of this, textile exports increased by 33.7 per cent $117.95 billion while clothing exports decreased by 10.3 per cent to 97.83 billion.

In the first three quarters, China's total import and export value of goods trade increased by 0.7 per cent to 23.12 trillion yuan. Amongst this, the value of exports increased by 1.8 per cent to 12.71 trillion yuan, while the value of imports decreased by 0.6 per cent to 10.41 trillion yuan.

From January to September 2020, the total value of imports and exports of goods trade increased by 0.7 per cent to 23.1 trillion yuan. Of this, exports increased by 1.8 per cent to 12.7 trillion yuan while imports decreased by 0.6 per cent 10.4 trillion yuan.

In the first three quarters, the total value of US –China trade increased by 2 per cent to 2.82 trillion yuan. During this period, China's exports to the United States increased by 1.8 per cent to 2.18 trillion yuan while its imports from the United States increased by 2.8 per cent to 640.86 billion yuan. During the period, China exported 1.31 trillion yuan worth of mechanical and electrical products to the United States, which accounted for 60 per cent of its total export value to the United States.

Cross border e-commerce platform leads to 52.8% trade growth

China's import and export through customs cross-border e-commerce management platform increased 52.8 per cent to reach 187.39 billion yuan. Of this, China's imports and exports to ASEAN, the EU, the United States, Japan and South Korea increased by 7.7 per cent, 2.9 per cent, 2 per cent, 1.4 per cent and 1.1 per cent to 3.38 trillion yuan, 3.23 trillion yuan, 2.82 trillion yuan, 1.61 trillion yuan and 1.45 trillion yuan, respectively. ASEAN emerged as China's largest trading partner, accounting for 14.6 per cent of its total foreign trade.

China's general imports and exports increased by 2.1 per cent to13.92 trillion yuan. Textile and clothing exports increased 5.4 per cent to reach 2.59 trillion yuan.

Among these, the export of textiles including masks increased by 37.5 per cent to 828.78 billion yuan. In future, the Chinese government needs to focus on exports of mechanical equipment, electronic components, textile and clothing, shoes and boots.

Source: fashionatingworld.com– Oct 21, 2020

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UK shop closures hit record levels this year: survey

UK shop closures have hit record levels with over twice as many net store closures in the first half of 2020 compared to last year, according to research by Local Data Company and PwC UK that shows 11,120 chain operator outlets have closed this year so far and 5,119 opened, creating a net decline of 6,001, almost double the decline tracked last year (3509).

The data shows COVID-19 has accelerated previous trends that have changed the way consumers shop. Therefore, although retail sales already recovered to pre-COVID 19 levels by July, there have been greater shifts in categories and channels.

However, store openings of multiples, which have remained at broadly the same level over the past five years, also show that despite the acceleration in closures in 2020, there remains consistent demand for retail, hospitality and services that can only be delivered physically, according to a PwC press release.

Lisa Hooker, consumer markets leader at PwC, said: “We know that the pandemic will continue to impact the way we work, rest and play, however, in terms of how we shop, this isn't new. What we have seen is an acceleration of existing changes in shopping behaviours alongside forced experimentation from COVID-19 restrictions.”

“We all knew that consumers were shifting to shopping online or changing their priorities in terms of the things they buy, but what COVID-19 has done is create a step change in these underlying trends to where they have now become the new normal”, she added.

On a sector by sector basis the categories which have seen consistent growth over the last five years include value retailers and discount supermarkets, highlighting the continued drive to seek value by consumers. In addition, the economics of delivering low-value goods mean that online alternatives are not available in many cases.

Due to COVID-19, this year’s data covers the period from January to August, with no fieldwork undertaken during the national lockdown. In later months, sites that had yet to reopen have not been counted as closed, and may be included in future surveys.

In addition where previously this research only covered the top 500 high streets, this year's findings include all high streets, shopping centres and retail parks in the United Kingdom. Data has been recalculated for the last five years to allow comparisons.

Source: fibre2fashion.com– Oct 21, 2020

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Asia's textile industry hit hard by COVID-19 downturn

Asia's garment manufacturers are reeling from the damage caused by the coronavirus pandemic. They suffered from restrictions and lockdowns in their own countries and saw international demand for their products collapse. This is particularly dramatic in countries where the textile sector accounts for a large share of all exports.

Researchers from the International Labour Organization (ILO) have studied the impact of the pandemic on 10 major textile producing nations in Asia: Bangladesh, Cambodia, China, India, Indonesia, Myanmar, Pakistan, Philippines, Sri Lanka and Vietnam.

According to the ILO, around 65 million people work in the textile industry in these countries, or 75% of all textile workers worldwide.

According to the study, the global textile trade collapsed in the first half of the year. Exports to the major buying regions in EU, the USA and Japan fell by up to 70%. At the same time, manufacturers' supply chains were disrupted, with shortages of cotton, cloth and other necessary materials.

Just $65 per month

For the textile industry, this meant less work and less income. Thousands of factories were closed down, initially because of regulations to fight the pandemic, says Christian Viegelahn from the ILO's office in the region.

"The typical garment worker in the region lost out on at least two to four weeks of work and saw only three in five of her coworkers called back to the factory when it reopened," said Viegelahn.

Garment workers — most of them are women — suffered from significant income losses. In Bangladesh, the median income of textile workers almost halved between April and May, from the equivalent of $113 to just $65 (€95 to just €54) per month, according to a study cited in the ILO report. Median income means that half of the workers earn more, the other half less.

In addition, wages were often paid much later than the law permits. As a result, 77% of the Bangladeshi workers surveyed in June said they had eaten less than they should have because they could not afford to buy enough food. In May, protests of workers led to clashes with the police.

To soften the impact of the pandemic, most governments offered some form of help to factory owners and workers. In Cambodia, the government collaborated with employers to provide a $70 benefit to furloughed workers. But a study showed that only 41% of surveyed workers in May had actually received the full benefit.

The garment industry is the largest industrial employer for women in the Asia-Pacific region. In countries like Cambodia, Pakistan and Sri Lanka, between 15-20% of women work in the industry.

Even before the coronavirus, women were usually paid less than men, worked longer hours and also took care of the household and children. "The pandemic has exacerbated preexisting inequalities," the ILO report said.

'A more human-centered future'

Trade union membership tends to be generally low in the region, and in particular in the garment industry, according to the ILO. The report mentions unionization rates as low as 1% in Myanmar, 10% in Cambodia and 15% in Sri Lanka. According to the report, the restrictions imposed because of COVID-19 have further reduced union activity.

For the textile industry, the damage caused by the pandemic is already greater than the effect of the global financial crisis from 2008, said the ILO. "The depth of those declines and the speed and shape of the eventual recovery in the sector will likely not be (fully) visible until 2021 or 2022."

In any case, ILO Regional Director Chihoko Asada Miyakawa hopes that the crisis will lead to a greater willingness to cooperate. "It is vital that governments, workers, employers and other industry stakeholders work together to navigate these unprecedented conditions and help forge a more human-centred future for the industry."

Source: msn.com– Oct 21, 2020

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Massive Floods Deliver Fresh Blow to Cambodia’s Garment Sector

Flash floods in Cambodia have damaged 79 garment factories and forced at least 40 of them to temporarily freeze their operations, pushing to the limits an industry already on the brink due to the coronavirus crisis. The disaster has to date claimed 25 lives and forced the evacuation of more than 37,000 people, Seak Vichet, a spokesman for the National Committee for Disaster Management, said on Monday.

Garment factories aside, more than 200,000 hectares of paddy fields, nearly 80,000 farms and more than 500 school buildings have been destroyed, authorities said. Roads, hospitals, and dams have also been impacted.

For Cambodia’s garment manufacturers, the floods are another setback after the European Union’s partial withdrawal of Everything But Arms privileges on Aug. 12, a result of what the trading bloc described as “severe deficiencies when it comes to [Cambodia’s] human rights and labor rights.” Orders have also declined because of slackened demand for non-essential goods during the pandemic, resulting in at least 400 factory suspensions and more than 150,000 job losses for Cambodia’s biggest export earner, which employs some 800,000 workers and contributes 40 percent of the nation’s gross domestic product.

Labor ministry spokesman Heng Sour told the Phnom Penh Post on Monday that more than 40,000 garment workers are affected by the disrupted production. Choek Borin, director of the Kampong Speu provincial labour department, told the Post that four factories were previously submerged but their supply chains remain intact and work will be continuing. “The department is still monitoring [these] factories and workers,” Borin said. “When the workers run into problems, we help them out. When commuting to the workplace, they experience flooded roads and they are late for work. We coordinate with factory employers to help them.”

Not all factories will be able to resume business as usual so quickly, however. The delays may even cost them, since brands and retailers typically fine or demand discounts from suppliers if they don't make their deliveries on time. It'll take a while to assess the full damage even after floodwaters recede, said Kaing Monika, deputy secretary-general of the Garment Manufacturers Association in Cambodia, since factories will need to make sure their machinery and other tools are functioning properly.

"The flooding damaged factory property and also disrupted the production processes. It slows the supply of goods to buyers," he told the Post. "In the case that we cannot continue production because of internal or external factors, the association asks for permission from the government, especially the labor ministry, to suspend work as quickly as possible."

Source: sourcingjournal.com– Oct 21, 2020

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Vietnam postpones International Textile and Garment Industry Exhibition

The Government of Vietnam has postponed the 20th Vietnam Int'l Textile & Garment Industry Exhibition to November 24 – 27, 2021 at Saigon Exhibition & Convention Center (SECC) to ensure the health and safety of visitors and exhibitors.

However, the VTG online expo will continue to operate and promote exhibitors' products on the official website and Facebook fan page. Since 2001, VTG has been serving the textile industry in Vietnam and is committed to serve the development of textile and related industries.

Source: fashionatingworld.com– Oct 21, 2020

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NATIONAL NEWS

'Remove anti-dumping duty on VSF'

Textile manufacturers say move will help them compete in export markets
To compete in the fast-growing, man-made fibre market globally, raw material cost for textile manufacturers in India should come down. This, the industry believes, can happen only if anti-dumping duty (ADD) on viscose staple fibre (VSF) is scrapped.

Due to the ADD on VSF ($0.103/kg to $0.512/kg on imports from Indonesia, Thailand and China), there has been large-scale import of viscose spun yarn, said spinners from Coimbatore, the textile hub of India, in a conversation with BusinessLine.

Viscose spun yarn (VSY) imports were to the tune of 12,748 tonnes in September, a jump of 75 per cent over the same month last year. The average monthly imports of VSY this year is 5,392 tonnes, up from 4,875 tonnes last year, according to data of Ministry of Commerce and Industry.

Given that ADD on Purified Terephthalic Acid (PTA) – the raw material for Polyester Staple Fibre was removed in the budget in February 2020, the textile manufacturing industry is now demanding withdrawal of ADD on VSF to help them stay competitive in the global market.

Benefits to MSMEs

Post withdrawal of ADD on PTA, there has been increase in production of polyester spun yarn (PSY) in India and imports have fallen benefitting weavers, knitters, dyers and other players in the PSF value chain. Additionally, polyester fibre prices in India have come down to match China's – ₹65/kg, giving Indian spinners a competitive edge in export market, according to market sources.

The ADD on VSF was first levied in 2010 and ever since, the export competitiveness of players in the value chain have been hit, say observers. As per industry data, the export of viscose fabric has dropped 25 per cent between 2016-17 and 2019-20; exports of VSF based readymade garments have also fallen.

India's high-cost raw material is the reason why the country is losing out to smaller players from Bangladesh, Vietnam, Sri Lanka, Nepal and Pakistan in the international market, according to textile manufacturers. Prabhu Dhamodharan, Convenor of Indian Texpreneurs Federation, said, "Viscose's value chain stakeholders, particularly in spinning, have invested heavily in ultra-modern technology over the past few years.

The massive import of viscose spun yarn coming in at a price that is ₹20 less than the manufacturing cost for the spinners, has created a turbulence in the sector. We need to eliminate this business uncertainty by keeping policies favourable for the industry to get raw materials at competitive price."

Competitive prices

Raja M Shanmugam, President, Tiruppur Exporters' Association, said, "Protectionism won't work, global markets are connected. Only if textile manufacturers in India get raw materials at competitive price, will they be able to compete globally and grab the opportunity that has opened up with anti-China wave across the globe..." LKM Suresh, President, TamilNadu Federation of Powerloom Associations, said, "Due to higher cost of raw material, spinning mills are offering their yarn at a higher price compared to imported yarn from China.

But imported yarn is also having its own set of challenges including longer lead times and fluctuations in prices. So, rather than restricting yarn imports, the government should remove ADD on viscose fibre and provide level playing field to spinners who in turn will be able to supply the yarn at internationally-competitive prices that will help SME weavers."

In India, there is only one manufacturer of VSF. The price of the fibre from this player is ₹115/kg; landed cost of imported VSF without ADD is ₹103/kg. If ADD on VSF is removed, the VSF manufacturer will also be compelled to reduce price which will benefit yarn manufacturers, say industry veterans.

Source: thehindubusinessline.com– Oct 20, 2020

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New labour Codes are welcome, but for real labour reforms, laws have to ease at the state level

Better late than never. After much dithering and deferring, India has got down to housekeeping in the area of labour laws. While the maze of labour laws has not prevented India from industrialising or attracting foreign investment, it has made entrepreneurs' and investors' life unnecessarily difficult. Consider this, of the 1,536 Acts that govern all economic activity in the country, about one-third pertain only to labour, while about half of all compliances relate to labour. This, in a country where organised labour constitutes less than one-tenth of the total workforce.

The impractical laws, 463 of them across Centre and states, involving 32,542 compliances and 3,048 filings in a year, have been observed more in abeyance than in practice, and rent-seeking and penalties have been treated as the cost of doing business. Now, as the central government has begun tidying the house, it should become easier and cheaper to do business in India and make it more competitive.

However, labour laws are only one of the pieces on the business chessboard. While India's ranking on the Ease of Doing Business has improved in recent years, it has not created a flood of private or foreign investment. The simplification of central labour laws would certainly be an improvement, but the key is the clarity and practicality of reforms.

The consolidation of labour laws in neat bundles of codes is good. The 44 central Acts that had 1,458 sections, requiring 937 compliances and 135 filings in a year, have been subsumed into four codes with just 480 sections. Changes in the definition of key terms and classifications are particularly welcome, especially related to size-linked applicability of codes.

The Social Security Code that has subsumed nine Acts will now allow firms to maintain only 1-2 registers as compared to 20 earlier. Still, they contain much of the old provisions and their micromanagement approach needs to be dealt with.

Also, a quarter of the central labour laws remain outside the four new codes. Most significantly, only a tenth of the labour laws are those of the central government. Therefore, to usher in the 'real labour reforms', laws have to change at the state level.

A minimum alignment between central and state regulations is necessary to make companies comfortable to do business in multiple states. The existing chaos is a result of too many governments making laws on ad hoc basis for too long. The patchwork of laws has produced a minefield of regulations, which can neither be complied with nor implemented.

Worse, the confusing laws consume a lot of management bandwidth, which is an even bigger cost. However, some positive signs are already visible; for example, fixed-term employment has already been allowed by 12-13 states, and the 300-threshold is already applicable in 16 states. One must not construe it as being unfair to workers, as they are entitled to receive all statutory dues that permanent workers in the same unit get.

Although enterprises always find ways around any kind of unreasonable laws, and even governments tend to not enforce such laws too diligently, the economy still pays a price. Foreign companies tend to seek protection from the local law rather than protection by it. Most enterprises in India, unable to bear the cost of compliance, prefer to remain informal. This informality perpetuates low productivity, wages and incomes in the economy.

Any easing of labour laws to ease the compliance burden is a positive move. Hopefully, these reforms could start a chain-reaction in the economy. With ease of compliance would come increased formality, which will lead to proliferation of larger enterprises and more organised jobs, which, in turn, will ensure that more firms and workers pay taxes, increasing government revenues.

Less than half of India’s GDP comes from revenues of large companies, vis-à-vis 70% in most of our peer economies. According to McKinsey, India needs to triple the number of large firms than it has now. This is because not only are they found to be 11 times more productive, but employ one-fifth of the people in the direct formal workforce.

However, labour law reforms must achieve a balance between the interests of employers and workers. If either party feels short-changed, the reforms will remain on paper and people will simply game the new system, just as they did before. Some states have swung from too much protection for the labour to too little, which can prove counterproductive. Workers would arbitrage laws of different states to find better deals and local enterprises will end up paying perhaps even higher cost to attract and keep skilled labour.

It is unrealistic to expect harmonisation of labour laws across India as states compete on regulation and are unlikely to give up that choice easily. But states need to work on those issues they lack, so that they do not lose out on the investments on offer. This must also be accompanied by a complete change in attitude of authorities who need to abide by the spirit of the law as against the current practice of conforming to the letter of the law.

Businesses, on their part, need to be more responsible and forthcoming to ensure greater compliance. The new law, once implemented, would need industries to file just one compliance return for all four codes. One would expect a positive scenario to emerge, similar to the one seen in direct tax compliance.

The key challenge for labour laws is to achieve a functional and efficient labour market that would promote more formal employment and productivity. It cannot be a free market because of the asymmetry of power between capital and labour.

Therefore, to achieve ease and low cost of doing business, it would be necessary to provide reasonable income and survival security for workers. The new labour reforms assure of such protection, which increases the chances of implementation.

By initiating labour reforms, the government has taken an important step, which is expected to make Indian economy more productive and competitive.

Source: financialexpress.com– Oct 21, 2020

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Why Modi govt's FTA policy for India must turn to 'natural allies' US, UK and Europe now

With world governments increasingly resetting their approach to trade agreements in the midst of the coronavirus pandemic, the Narendra Modi government is also proactively stepping up its efforts to rejig India's trade relations with the rest of the world by overhauling its Free Trade Agreement or FTA strategy. This comprises review and re-negotiation of the existing FTAs with ASEAN, Japan and Korea, and at the same time, forging enhanced trade alliances with the European Union, UK, US and Australia.

In a previous article in ThePrint, we emphasised that advocating for self-reliance under Aatmanirbhar Bharat should not be interpreted as a reversion to protectionism. Addressing the 75th session of the United Nations General Assembly (UNGA), Prime Minister Modi further championed the cause of Aatmanirbhar Bharat in making India a force-multiplier for the global economy. The government has identified 27 champion sectors that can be globally competitive with the help of initial hand-holding. However, in sectors/industries where domestic capability has been lacking, the dependence on good quality and competitive imports is inevitable. It is here where the role of FTAs come in.

Changing FTAs

Modern FTAs have gradually increased their coverage from just goods and services to a deeper range of policy areas such as that of intellectual property rights (IPR), data localisation, climate investment, etc. While discussing a recently launched Handbook of Deep Trade Agreements, World Bank economists offered a pessimistic outlook for trade agreements amidst deepening global fault lines. However, there is some hope too. The new UK-Japan FTA is one example. Despite sharp differences on the role of state supportin selective sectors, the negotiators have managed to come together for an in-principle agreement on the rules of trade between the two economic powers.

Crafting India's strategy

India's export basket mix comprises a diverse mix of petroleum products (13 per cent), agriculture and allied (11 per cent), chemicals (15 per cent), engineering goods (24 per cent), gems and jewellery (12 per cent) and textiles and ready-made garments (11 per cent).

It is noteworthy that India has forged major free trade alliances with Asian countries (ASEAN, Japan and Korea) around FY10. Despite that, the share of these markets in India's exports has dropped in the past decade — from 51 per cent to 46 per cent. While over the same period, the share of traditional markets like the US and Europe in our exports has increased — from 38 per cent to 43 per cent — despite not having FTA with any of the countries in the region.

A major reason India has not lost out on its traditional markets like the US and the EU is the number of trade complementarities with these partner countries. For example, the US' major imports from the world comprise of machinery, mineral fuels, pharmaceuticals, organic chemicals, gems and jewellery, furniture etc., which are also India's top export items.

But in this heightened backdrop of most nations being cautious of their trade strategy, India's focus needs to be on deep bilateral FTAs with trade partners where maximum trade complementarities exist, especially the US and the EU. For the US, our untapped export potential as a percentage of the current exports is around 60 per cent, while for the EU, the number is a staggering 90 per cent.

There are a number of issues that need to be considered in India's approach to FTAs and trade agreements, in general.

Safeguard domestic interests

First, there has been a string of learnings from the experience of our previous FTAs. In 2018, a NITI Aayog note on FTAs had pointed to incommensurate and widening trade deficits India had piled up because of FTAs with ASEAN, Japan and Korea. Importantly, the deficit had also widened for India's dominant value-added sectors reflecting a deteriorated quality of India's trade with its FTA partners.

Keeping in mind the dumping of imports through FTA partner countries and re-routing of imports from non-FTA partner countries through FTA partner countries, the Ministry of Finance recently announced measures to tighten the enforcement of rules of origin (RoO) norms under Free Trade Agreements.

The new rules came into effect on 21 September 2020. The Customs (Administration of Rules of Origin under Trade Agreements) Rules, 2020 or CAROTAR 2020, have now made it incumbent on the importer to collect sufficient information/documents to convince the authorities that rules of origin criteria for the imports have been met in order to get preferential tariff. The authorities, if not satisfied, will have the power to cancel the preferential tariff or send the information provided for further verification. These measures are expected to keep a check on dumping of imports to some extent, deter circumvention and re-routing of goods under FTAs.

While this is a good measure, our future FTA negotiation strategy and tariff schedules need to be completely aligned with the Aatmanirbhar Bharat strategy for scaling up the champion sectors. This does not imply complete protection for these industries, but a phase-wise reduction of import tariffs over years under the FTA in order for them to completely integrate with global value chains (GVCs).

Second, it is also imperative that we strengthen the safeguard clauses within existing FTAs under review as well as in the new ones. Safeguard clauses need to be designed in a way that the domestic industry gets protection in case of material injury well within time.

A delay often leads to irreparable domestic damage. A clause on provisional safeguard measures should also be introduced under FTAs so that import threats can be effectively dealt with. Within the FTA, provision should be made for safeguard measures to be invoked if a volume or price trigger for the concerned products is reached. These clauses could be introduced on the lines of clauses in some of EU's FTAs with the rest of the world.

Click here for more details

Source: theprint.in– Oct 20, 2020

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Cotton trades higher at Rs 19,820 per bale in evening trade on production worries

Cotton futures traded firm at Rs 19,820 per bale on October 21 as participants widened their positions, as seen from the open interest. Cotton futures in the domestic market have surged over 8 percent since the beginning of October.

"The fundamentals remain inclined towards bulls as the recent rally in Intercontinental Exchange and ZCE futures, and crop damage news in major cotton-producing states provide a strong floor to cotton in the near future," said Mohit Vyas, analyst at Kotak Securities.

The prospects of a better cotton export from India amid lower world cotton output and attractive Indian cotton prices, limited new crop arrival in mandis and the Cotton Corporation of India (CCI) procurement at the minimum support price (MSP) are adding fuel to the rally, he said.

Indian cotton is trading at a 4 percent discount from Cotlook A exchange prices of 75.40 cents as on October 20.

In the futures market, cotton for October delivery touched an intraday high of Rs 19,850 and an intraday low of Rs 19,520 per bale on the MCX. So far in the current series, the commodity has touched a low of Rs 16,060 and a high of Rs 19,930.

Cotton futures for October delivery gained Rs 210, or 1.07 percent, to Rs 19,820 per bale at 8:17 pm on a business turnover of 834 lots. The same for November contract jumped Rs 130, or 0.65 percent, to Rs 19,980 per bale with a business volume of 839 lots.

The value of October and November’s contracts traded so far is Rs 15.99 crore and Rs 20.23 crore respectively. Kotak Securities expects cotton to trade range-bound with positive bias for the near future.

Geojit Financial Services said that mild profit booking cannot be ruled out before a resumption of the next wave of upside moves.

Source: moneycontrol.com– Oct 21, 2020

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Green shoots of economy may not live long; September recovery may fade away after festive season

India's economy saw a nascent upturn in the month of September as nine of the tracked 15 non-financial high-frequency indicators such as GST e-way bills, electricity, petrol and diesel sales, etc recorded growth in the month. The improvement in some of the other indicators, such as automobile output, also reflected a combination of pent-up demand, healthy rural sentiment, and inventory build-up, ahead of the upcoming festive season, said an ICRA report. However, the upturn is unlikely to last for long. This trend may persist in the coming one-to-two months, before settling at more sedate levels after the festive season is over, said Aditi Nayar, Principal Economist, ICRA.

Sharp favourable base effects have likely contributed to the high performance of some outliers, such as the output of Coal India Limited (CIL), which are likely to be unsustainable. Moreover, the rating agency remained cautious regarding the improvement in non-oil merchandise exports as there has been a fresh wave of Covid-19 infections in many trading partners.

While electricity generation recorded a growth of 4.2 per cent in September 2020 from the 3.3 per cent on-year fall in August 2020, generation of GST e-way bills increased 9.6 per cent on-year in contrast to the contraction of 3.5 per cent in the previous month. The aggregate auto production also jumped 11.7 per cent in September, after having displayed sustained on-year contraction for the previous 22 months. However, the situation at the retail level was less positive and vehicle registrations remained below the pre-Covid levels in the month.

Meanwhile, on the back of some recovery in the economy, ICRA expects the contraction in India's real GDP to narrow to around 11-12.5 per cent in Q2 FY2021 from the sharp 23.9 per cent fall recorded in the first quarter of the current fiscal year. The World Bank has recently estimated that India's GDP may contract by 9.6 per cent in the full fiscal year 2020-21. Earlier the bank had estimated a contraction of 3.2 per cent for the full year in June 2020.

Source: financialexpress.com– Oct 21, 2020

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9th session of India-Oman Joint Commission held virtually

India and Oman recently agreed to expedite their internal procedures for signing and ratification of the protocol amending the India-Oman Double Taxation Agreement and concluding the India-Oman Bilateral Investment Treaty. The 9th session of the India-Oman Joint Commission Meeting (JCM) was held on October 19 virtually. Both sides reviewed trade and investment ties.

It was co-chaired by Indian minister of state for commerce and industry Hardeep Singh Puri and his counterpart from Oman Qais bin Mohammed al Yousef.

Both sides reaffirmed their commitment to expand bilateral trade and encourage businesses to invest in each other's country to realise the untapped potential in the commercial and economic relationship.

Both sides agreed to cooperate in areas of agriculture & food security, standards & metrology, tourism, information technology, health & pharmaceuticals, space, civil aviation, energy, culture, mining and higher education, according to a press release from the Indian embassy in Oman.

Both sides also reviewed the progress of prospective memoranda of understanding in the field of mining, standards and metrology, financial intelligence, cultural exchange and information technology, and agreed to conclude them expeditiously.

For Oman, India was the third largest source for its imports and the third largest market for its non-oil exports. Bilateral trade between both grew at 8.5 per cent in 2019-20 over the previous year to reach $5.93 billion. While India's exports to Oman were valued at $2.26 billion, India's imports from Oman amounted $3.67 billion in 2019-2020.

Source: fibre2fashion.com– Oct 21, 2020

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India needs Manmade fibre at right price to capture global trade: AEPC

India has abundant supply of manmade fibre (MMF) and yarn but needs MMF fabric at the right price to capture greater share in global apparel trade, said Apparel Export Promotion Council (AEPC) Chairman Dr A Sakthivel.

Speaking at a webinar on 'Increase in Exports of MMF Garments' hosted by AEPC, Reliance Industries Ltd and Alcis Sports Pvt Ltd on Tuesday, Dr Sakthivel said the global market for MMF garments is USD 500 billion including USD 170 billion for sportswear.

"India's share in global apparel trade is very low. We need to do a lot to match up to the international requirements. We have enough MMF fibre and yarn but we are not having sufficient fabric, especially fabric for sportswear and exports," Dr Sakthivel said, adding that both capacity and right pricing are must to become globally competitive.

RD Udeshi, President (Polyester Chain), Reliance Industries Ltd (RIL), said that Indian exports have remained constant over the last decade with mere 1 per cent CAGR, "not a very healthy sign". Textile export of USD 36 billion in 2019 is only 4 per cent of world exports.

"India has a very low value added end product exports and high share of raw material and intermediate product exports. Inadequate downstream processing capacity could be one of the key reasons for lower exports of value added items," Udeshi added.

Gunjan Sharma, CMO (Polyester Division), Reliance Industries Ltd, said, "There are a lot of opportunities to capture in India. Our per capita consumption of synthetics is just about one-third of the global level and only one-fourth of China."

Ravish Nanda, Co-founder, Alcis Sports Pvt Ltd, said, "We don't have requisite R&D centres in India. We use the best of the yarns made by Reliance even then we have problems in the final fabric and we don't know how to solve these issues. India lacks a lot in processing. We need help from countries like Taiwan and South Korea to help develop our infrastructure both in terms of technology and manpower."

Sudhir Sekhri, Chairman (Export Promotion), AEPC, said, "India's problem is in value chain integration. Reliance has to step in. While Reliance has the capability to do these fabrics, we have to see that the price points are right and the capacities are available. Unless Reliance steps in and takes up the initiative not only for value chain integration but also for setting up R&D centres and cooperating with garment exporters to create awareness and to create right fabric, we are not going to take off."

Source: knnindia.co.in – Oct 21, 2020

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Andhra to offer ₹10k annual assistance for craftspersons

The Andhra Pradesh (AP) government will support traditional weavers and artisans by offering them each an annual financial assistance of ₹10,000 and helping them market their products through the online store of the AP State Handloom Weavers Cooperative Society (APCO) and the webstore of Lepakshi, chief minister YS Jagan Mohan Reddy recently said.

Their products would also be made available on Amazon, Flipkart and other e-commerce platforms, he said while launching an online platform to market APCO handloom and Lepakshi handicraft items.

He asked district collectors to direct village volunteers to identify handloom weavers and artisans and enlist their names and details, according to media reports from the state.

Observing that the condition of traditional weavers and artisans is in dire straits, he said the welfare programme would be launched by February next year.

Lepakshi has 17 showrooms, including one each at Kolkata, Delhi and Hyderabad and around 350 items are displayed in the e-commerce web portal in various crafts.

Source: fibre2fashion.com – Oct 21, 2020

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Seven products with export potential identified in Erode district

As part of promoting the district as an export hub, seven products were identified with export potentials and the Central and State governments will be extending all support for it, said Collector C. Kathiravan here.

Union Finance Minister Nirmala Sitharaman had in the Union Budget 2020-21 announced that each district should develop an export hub and a District Export Plan (DEP) should be framed. The DEP will include the support required by the local industry in boosting their manufacturing and exports, various incentives provided by both the governments to exporters will be disseminated to the industry and potential exporters and also include strategy to enhance logistics and infrastructure at the district level.

Products identified in the district that has export potentials were handloom and powerloom products, value added textile items, paper and paper-related items, egg powder, turmeric, tapioca and its related products and motor vehicle spare parts.

The District Level Export Promotion Committee had met through video conferencing recently in which the Joint Director General of Foreign Trade, Coimbatore, General Manager of District Industries Centre, Lead Bank Manager officials from Micro, Small and Medium Enterprises (MSME), Coimbatore, Powerloom Development and Export Promotion Council, Handloom Export Promotion Council, Engineering Export Promotion Council of India and officials from various departments participated.

Issues related to supporting manufacturing, solving problems in export, obtaining bank loans, subsidies and grants provided by governments were discussed. Mr. Kathiravan said that the seven products were identified in the district and officials were asked to take necessary steps to promote these products for exports. He said that meetings will be held every quarterly.

Source: thehindu.com – Oct 21, 2020

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